

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 1158
Economic Matters

(Delegates Redmer and Ports)

Finance

Health Insurance - Continuation Coverage - Voluntary Termination of
Employment

This bill expands Maryland's continuation of health coverage provisions to include an individual who voluntarily terminates employment.

The bill's provisions apply to eligible individuals on or after October 1, 2002, not withstanding any policy or benefit statement to the contrary.

Fiscal Summary

State Effect: Minimal increase in special fund revenues for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee charged by MIA in FY 2003. Additional contract filings could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal. To the extent that small businesses must provide continuation coverage to employees who voluntarily terminate employment, administrative costs could increase. Any increase is expected to be negligible.

Analysis

Current Law: The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 requires most employers to provide continuation coverage of health benefits to an employee and any eligible dependents if the employee's job is terminated for any reason other than gross misconduct. COBRA applies to most businesses that employ 20

or more employees. An employee may be required to pay premiums for the continuation coverage, but the employer generally cannot charge more than 100% of the employer's own cost for the coverage plus a 2% administrative services charge. Employers who fail to provide continuation coverage under COBRA may be subject to a federal excise tax.

Maryland has adopted continuation coverage provisions that cover employees who have been involuntarily terminated other than for cause. In addition, Maryland's continuation coverage applies to most employers, including those businesses that employ fewer than 20 employees. An employee who has been involuntarily terminated from employment may elect continuation coverage under the former employer's group contract for health insurance for a period of up to 18 months after termination.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2002
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